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FISCAL IMPACT REPORT



SPONSOR: Hobbs DATE TYPED: 02/12/02 HB 92/aHTRC

SHORT TITLE: Job Mentorship Tax Credit SB _____

ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	(\$337.5)	(\$675.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to HB 130 and SB 186

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment placed a cap of 750 students for the number of youth participating in the program. The cap reduced the associated fiscal impact from \$375.0 and \$912.0 in FY 03 and subsequent years to \$337.5 and 675.0 respectively.

Synopsis of Original Bill

House Bill 92 amends the Income Tax Act to provide income and corporate income tax credits for the employment of youth participating in career preparation education programs. The business claiming the credit can claim up to 50 percent of the gross wages paid to qualified students during any one-tax year. The business is limited to a maximum of ten students employed for up to 320 hours per year for three years per students. The credit has a ceiling of \$12.0 in any one-tax year.

TRD is required to issue job mentorship tax credit certificates upon request by any accredited New Mexico secondary school. The maximum number of certificates issues is dependent on the number of qualifying students in school-sanctioned career preparation programs on October 15.

FISCAL IMPLICATIONS

TRD cites personal income statistics for tax year 2000 show job mentorship tax credits totaled \$36.4 (Report TR-11, run on 11/09/01). A similar report for tax year 1999 run on the same date lists \$25.6 in claims. Statistics are not available on corporate income tax claims, although they are likely to be large compared with personal income tax claims because of the larger base of employees to tax liability

The TRD estimate makes the following assumptions:

- (1) Job mentorship credits claimed against corporate income tax equal five times claims against personal income tax;
- (2) Total claims would increase by a factor of four in the short run if the limit on the number of program participants is removed.

Using these assumptions and the personal income tax claims from tax year 2000 as the base, total claims were about \$216 thousand in that year and would increase to about \$864 thousand if the program limit is removed. The FY 2003 estimate assumes there will be a gradual ramp-up of the program during that year, while the full year estimate assumes a fully phased-in program with some growth over the TY 2000 levels.

OTHER SUBSTANTIVE ISSUES

HB 92 would make the job mentorship income tax credit program, which was established in 1999 as a pilot, permanent. Its purpose was to encourage businesses to hire young people that are participating in career preparation education programs by providing tax credits for employing the young people.

HB 92 changes the original program in one major way - the original program was limited to participation by 1,000 students.

According to TRD the cost to a business of hiring a student for 300 hours at, for example \$8 per hour would be reduced from \$2,400 to \$1,280 after taxes.

SN/ar